
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM 10-K/A
Amendment No. 2**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2001

-OR-

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to
Commission File No. 1-6035**

THE TITAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **95-2588754**
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

**3033 Science Park Road
San Diego, California 92121-1199**
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: **(858) 552-9500**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
\$1.00 Cumulative Convertible Preferred Stock, \$1.00 par value	New York Stock Exchange
Common Stock, \$.01 par value	
Preferred Stock Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 22, 2002: \$1,294,955,114.

Number of shares of Common Stock outstanding as of March 22, 2002 was: 77,237,800.

Documents Incorporated By Reference:

Proxy Statement for the 2002 Annual Meeting of Stockholders on May 16, 2002. (The Company has filed a definitive proxy statement with the Commission within 120 days after the close of the fiscal year pursuant to Regulation 14A). With the exception of those portions which are incorporated by reference in this Form 10-K Annual Report, the Proxy Statement for the 2002 Annual Meeting of Stockholders is not deemed to be filed as part of this Report, Parts II and III.

This Amendment No. 2 amends only the Liquidity and Capital Resources section of our Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K/A filed with the Securities and Exchange Commission on June 12, 2002, Note 2 Acquisitions and Investments to the audited financial statements included in the Form 10-K/A and includes the Certification as Exhibit 99.1.

In connection with this filing, the report of Arthur Andersen LLP has not been reissued and Arthur Andersen LLP has not consented to the inclusion of its report in the amendment of this filing. The Company has made reasonable attempts to obtain a consent for the inclusion of Arthur Andersen LLP's report in this filing, but was unable to obtain such consent.

Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

We have used our cash and cash equivalents principally to fund acquisitions and investments, capital expenses and working capital. We fund our cash requirements principally from borrowings from under our senior credit facility, proceeds from the sale of our securities, and to a lesser degree, from cash flows from our core government operations. Net cash flow from our continuing operations used \$13.0 million, primarily resulting from an increase in accounts receivable balances of \$70.2 million, with the most notable increases in our Titan Wireless and Titan Systems segments. The impact of the acquisition of BTG and Datron on our accounts receivable balance in the accompanying consolidated balance sheet as of December 31, 2001 was approximately \$78.2 million compared to 2001 revenues of approximately \$34.1 million generated by BTG and Datron which are included in our consolidated revenues for the year ended December 31, 2001.

Our investing activities used cash of \$140.1 million in 2001, primarily to finance acquisitions of \$87.2 million and equity and other investments of \$24.1 million, and to fund capital expenditures of \$24.4 million, with the most significant capital expenditures in our Titan Wireless segment to develop its retail fixed wireless service business. Our financing activities provided cash of \$174.1 million, reflecting increased borrowings of \$66.9 million on our credit facility as well as the net proceeds of \$136.2 million from the sale of our common stock in a public offering, net of a reduction of debt of approximately \$38.3 million, primarily reflecting our pay-off of BTG's existing debt at the time of acquisition. The exercise of Titan stock options also provided \$11.4 million.

On February 23, 2000, we entered into a credit agreement for \$275 million of financing from a syndicate of commercial banks. The credit facility also allowed us to increase total availability by an additional \$100 million, if needed, for an aggregate of \$375 million. The credit facility was subsequently amended on June 1, 2000 to provide for an increase in total availability for an additional \$50 million, for an aggregate total of \$425 million. The proceeds of the loan were used in part to refinance outstanding indebtedness on our \$190 million credit facility arranged by Bank of Nova Scotia in June 1999. The credit facility is secured by substantially all of our and our subsidiaries' assets and guaranteed by substantially all of our subsidiaries, other than, in each case, SureBeam and our foreign operations. SureBeam ceased being a guarantor and having its assets pledged as collateral for the credit facility following the completion of its initial public offering on March 16, 2001. The \$425 million credit facility is comprised of a six-year senior secured multi-draw term loan facility in an aggregate principal amount of up to \$75 million, two seven-year senior secured term loan facilities in an aggregate principal amount of \$250 million, and a five-year senior secured revolving credit facility in a aggregate principal amount of up to \$100 million. Loans made under the multi-draw term loan facility mature on the sixth anniversary of the closing date of the credit facility, and amortize beginning in the credit facility's second year, which began with the quarter ended June 30, 2001 and ends with the quarter ending March 31, 2002, as follows: 2.5% quarterly in the third and fourth quarters of year two of the credit facility, 3.75% quarterly in year three of the credit facility, 5% quarterly in year four of the credit facility, 6.25% quarterly in year five of the credit facility, 7.5% quarterly in the first and second quarters of year six of the credit facility and 10% in the third quarter of year six of the credit facility and on the sixth anniversary of the closing date of the credit facility. Loans made under the term loan facilities mature on the seventh anniversary of the closing date of the credit facility, and began amortizing in the credit facility's first year, which began with the quarter ended June 30, 2000 and ended with the quarter ended March 31, 2001, with the following amortization schedule: 0.25% quarterly for years one through six of the credit facility and 23.5%

quarterly for the first three quarters of year seven of the credit facility and on the seventh anniversary of the closing date of the credit facility. Under each of the term loan facilities and the revolving facility, we have the option to borrow at the bank's base rate or at adjusted LIBOR plus, in each case, an applicable ratio based on the ratio of our total debt to EBITDA, or earnings before interest and taxes and depreciation and amortization. The agreement contains financial covenants that were comprised of the following at December 31, 2001: a maximum debt to EBITDA limit of 3.50 to 1, a minimum interest coverage ratio of 3.75 to 1, a minimum fixed charge coverage ratio of 1.0 to 1 and a minimum net worth of \$256.8 million. Titan is in compliance with all financial covenants as of December 31, 2001.

At December 31, 2001, total borrowings outstanding under our credit facility were \$330.0 million at a weighted average interest rate of 5.0%. Commitments under letters of credit were \$13.9 million at December 31, 2001, \$9.1 million of which reduce availability of our working capital line, resulting in \$75.9 million of availability on our working capital line at December 31, 2001. Of the total borrowings, \$12.8 million was short-term.

On May 23, 2002, the Company entered into an agreement with Wachovia Bank, National Association and Wachovia Securities for a \$485 million credit facility from a syndicate of banks. The Company's existing credit facility was extinguished at that time. The new agreement contains financial covenants, which are comprised of the following at March 31, 2002, on a pro forma basis for the new bank facility: a maximum debt to EBITDA limit of 3.1 to 1, a minimum interest coverage ratio of 2.75 to 1, a minimum fixed coverage ratio of 1.2 to 1 and a minimum net worth of \$475 million. As of March 31, 2002, on a pro forma basis, taking into effect the new bank facility, Titan was in compliance with all financial covenants. See Note 15 of the accompany notes to the consolidated financial statements.

On December 10, 1999, our wholly owned subsidiary, Titan Africa, Inc. ("Titan Africa"), in connection with its contract to build a satellite-based telephone system for its customer, the national telephone company of Benin, Africa, entered into a Loan Facility agreement for up to 30.0 billion Francs CFA (the currency of the African Financial Community), equivalent to approximately \$45.0 million U.S. dollars, with a syndicate of five banks, with Africa Merchant Bank as the arranger. This medium term financing is a non-recourse loan to Titan Africa which is guaranteed by the national telephone company of Benin, Africa and secured by the national telephone company's equipment and revenues related to the project. The facility has a fixed interest rate of 9.5% and will be repaid in seven equal semi-annual payments from the net receipts of this project, or by the OPT in the event that such receipts are not adequate to make these payments, which commenced on December 31, 2000 and were scheduled to end on December 31, 2003. The borrowings on this facility have been utilized to fund the subcontractor costs incurred by Alcatel of France, a major subcontractor to this project. The non-Alcatel equipment provided by Titan Africa was financed through arrangement with the OPT whereby Titan Africa would be paid in seven equal semi-annual installments, which commenced on December 31, 2000. Due to the approximate six to nine month delay in the delivery of the system, which was impacted by the expansion of the original project to include increased GSM lines, increased capacity and capability of the VSAT sites and an overall increase in lines in Benin, the Africa Merchant Bank and Titan Africa have collectively agreed to extend the due date of the semi-annual principal payments until such time as the service revenues have achieved certain levels, which is anticipated to occur in mid to late 2002. The terms of Titan Africa's agreement with the customer include, among other things, a revenue sharing of total net receipts earned on this project for up to a period of 9 years depending upon when the equipment has been paid for. As of December 31, 2001, approximately \$42.5 million was drawn on this facility, which has been reflected as Non-recourse debt in the accompanying consolidated balance sheet and approximately \$93.1 million has been reflected as Long-term contract receivables, related to the gross amount due from the OPT on the contract. The \$42.5 million drawn on the facility reflects the amount that has been funded by the Africa Merchant Bank to cover subcontract costs. In October 2000, we collected an \$18 million receivable from an African group related to the sale of a portion of our economic interest, net of all fixed equipment payments, in the revenue sharing of this project. As of December 31, 2001, the outstanding receivable balance, net of non-recourse debt, due on this contract was approximately \$50.7 million. Management believes that the appropriate insurance policies are in place to cover risk related to loss in certain foreign countries such as Benin and other foreign countries.

In relation to our investment in Ivoire Telecom, we provided equipment with an approximate aggregate value of \$4.5 million and we committed to provide up to a maximum of \$35 million for capital expenditures and other expenditures necessary to build out the Ivoire Telecom network. At December 31, 2001, this maximum

commitment has been substantially funded, resulting in an investment balance of approximately \$50.0 million, which includes our initial equity investment of approximately \$10.5 million and equipment we provided. Our investment is reflected in Other Assets in the accompanying consolidated balance sheet. We have not consolidated the operations of Ivoire Telecom for a number of reasons, including our inability to obtain accurate and reliable financial information, our inability to exercise any influence on the operations of the company due to strong opposition from the CEO located in Africa, and our inability to obtain representation on the board of directors of each of Ivoire Telecom's 14 principal subsidiaries. Titan engaged a global independent public accounting firm to audit the financial statements of Ivoire Telecom for the year ended December 31, 2001. The independent public accounting firm has been unable to complete its audit procedures due to significant open matters. Further, the independent public accounting firm has reported that there are weaknesses in internal controls and the accounting ability in Ivoire Telecom's various operations, ranging from lack of skilled resources, lack of formalized policies and procedures, limited management information systems, and financial reporting and consolidation risk.

In addition, in connection with our agreement to acquire an additional 30.0% equity interest in Sakon, an additional \$12.5 million of consideration was due and payable upon certain revenue targets being attained. These targets were met in January 2001, and a \$5.0 million installment was made in the second quarter of 2001, a \$3.75 million installment was made in the first quarter of 2002, and the remaining \$3.75 million is expected to be satisfied by issuance of Titan common stock later in 2002.

There are no Titan guarantees of debt, either directly or indirectly, associated with Ivoire Telecom or Sakon or any other unconsolidated subsidiaries other than approximately \$2.0 million of equipment financing.

As part of our strategy of seeking external financing to grow our commercial businesses, our discontinued SureBeam subsidiary completed its initial public offering of its common stock on March 16, 2001 and raised gross proceeds of \$67 million. We extended a credit facility for up to a maximum of \$75.0 million under which SureBeam owed us approximately \$73.0 million as of December 31, 2001. On December 31, 2001, \$2.0 million of the note was exchanged for common stock of SureBeam, at \$10.505, the fifteen day trading average of SureBeam stock as of December 30, 2001, which resulted in the exchange for 190,385 Class B common shares of SureBeam. As of December 31, 2001, SureBeam had approximately \$73.0 million in principal outstanding under the note. On February 13, 2002, the remaining outstanding balance on the note of \$73.0 million was exchanged for equity of SureBeam, at \$9.521 per share, the twenty day trading average of SureBeam stock as of February 12, 2002, which resulted in the exchange for 4,441,496 Class A and 3,225,765 Class B common shares of SureBeam.

On October 16, 2001, Titan adopted a definitive plan to spin off SureBeam in the form of a tax-free dividend to Titan stockholders within 12 months from that date. The plan involves filing a letter ruling request with the Internal Revenue Service seeking approval of the tax-free distribution. Titan received a favorable ruling in May 2002, and intends to execute the spin off in the third quarter of 2002. Titan has purchased a world-wide perpetual and exclusive, non-royalty bearing license to use SureBeam's intellectual property for all applications and fields other than the food, animal hide and flower markets for the following consideration: 1) a \$50 million senior secured line of credit, with customary financial, affirmative and negative covenants, 2) the exchange of the \$75 million debt owed by SureBeam to Titan for additional shares of Class B and Class A common stock of SureBeam, and 3) a cash payment of \$8 million, with \$4 million paid at September 30, 2001 and four installments of \$1.0 million payable on each of March 31, 2002, June 30, 2002, September 30, 2002 and December 31, 2002. The Company has obtained approval from its senior lenders under its new credit facility entered into in May 2002 to extend an aggregate of \$50 million of this credit facility to SureBeam. In addition, Titan and SureBeam are currently negotiating revisions to the currently in place tax sharing agreements and corporate services agreement as well as sublease arrangements with respect to three SureBeam service centers and a reimbursement agreement with respect to guarantees of SureBeam obligations provided by Titan. Titan and SureBeam have entered into an exclusive contract for the purchase and sale of electronic beam accelerators through December 31, 2003 and related integration services through December 31, 2002 unless SureBeam does not offer competitive pricing.

On July 26, 2001 we sold 8,048,685 shares of our common stock in a public offering, which included an over-allotment of 1,125,000 shares, at a price of \$18.00 per share. We received approximate aggregate proceeds from the offering of \$137.6 million, net of underwriters' commissions, in July 2001. Transaction expenses related to the offering were approximately \$1.4 million. We used the net proceeds from this offering to fund acquisitions, capital

expenditures and other investments. In addition, certain Titan stockholders sold 576,315 shares, including 489,972 shares from the exercise of options, from which we received proceeds of \$3.0 million.

Funding for the advancement of our strategic goals, including acquisitions and continued investment in targeted commercial businesses and start-up ventures and capital expenditures, is expected to continue. We plan to finance these requirements from a combination of sources, which include cash generation from our core businesses, our credit facility and other available cash sources. Management believes that the combination of our existing cash, amounts available under our credit facility and cash flow expected to be generated from our operations will be sufficient to fund planned investments and working capital requirements for at least the next twelve months. However, we could elect, or we could be required, to raise additional funds during that period and we may need to raise additional capital in the future. Additional capital may not be available at all, or may not be available on terms favorable to us. Any additional issuance of equity or equity-linked securities may result in substantial dilution to our stockholders. Management is continually monitoring and reevaluating its level of investment in all of its operations, specifically the investment required in fiscal 2002 to further grow its commercial businesses, and the financing sources available to achieve our goals in each business area.

Item 8. Financial Statements and Supplementary Data

Note 2. Acquisitions and Investments

On November 27, 2001, the Company completed its acquisition of BTG, Inc. ("BTG"), a provider of information technology solutions and services primarily to the U.S. military and other government agencies, for \$13.35 per BTG share. The acquisition was to further Titan's goal of acquiring government information technology companies which fit strategically with Titan Systems. Titan issued approximately 4,024,100 shares of its common stock at an aggregate value of \$99.9 million, based on \$24.814 per Titan share, the average trading price ending November 19, 2001, the date on which the formula for consideration became fixed, and cash of \$23.4 million for all the outstanding shares of BTG common stock and assumed BTG stock options representing approximately 734,200 shares of Titan common stock at an aggregate value of \$12.2 million, based on an exchange ratio of approximately 0.5380 shares of Titan stock for each share of BTG common stock. Titan also paid off \$37.1 million of BTG's outstanding debt as of the closing date. The transaction was accounted for as a purchase. The excess of the purchase price of approximately \$135.5 million over the estimated fair market value of the net liabilities acquired of \$15.0 million was approximately \$150.5 million. In connection with the determination of the fair value of assets acquired and pursuant to the provisions of SFAS No. 141, the Company has valued contracts in process at contract price, minus the estimated costs to complete and an allowance for the normal industry profit on its effort to complete such contracts which amounted to \$9.2 million. This adjustment has been reflected in the consolidated balance sheet as additional net liabilities assumed by the Company. The Company recognized approximately \$0.5 million in the year ended December 31, 2001, as a reduction of costs, with the remaining \$8.7 million to be recorded as a reduction of costs in future periods as work on certain contracts is performed, which is estimated to continue through fiscal 2016.

In February 2002, an independent valuation performed by KCI was completed to assist management in its purchase price allocation for the BTG acquisition. This independent valuation supported the Company's allocation of \$141.8 million to goodwill, \$8.2 million to intangible assets and \$0.5 million deferred compensation related to unvested options assumed. The intangible assets consist of backlog, customer relationships and a strategic relationship of \$1.7 million, \$5.5 million and \$1.0 million, respectively, which will be amortized over the estimated useful lives of 1 year, 2 to 5 years and 2 years, respectively. The consolidated balance sheet reflects this allocation between goodwill and intangible assets. The amortization expense related to the intangible assets will commence in the first quarter of 2002.

On September 28, 2001, the Company completed the acquisition of the remaining shares of Datron Systems Incorporated ("Datron"), a provider of radio and satellite-based communication systems and broadband communication products for government and commercial markets, that were acquired through a stock for stock exchange tender offer that closed in August 2001. The acquisition was to further Titan's goal of acquiring government information technology companies which fit strategically with Titan Systems. Titan issued approximately 2.3 million shares of its common stock for all the outstanding shares of Datron common stock at an

aggregate value of \$44.9 million, based on \$19.544 per Titan share, the average trading price ending July 27, 2001, the date on which the formula for consideration became fixed, and assumed Datron stock options representing approximately 437,000 shares of Titan common stock at an aggregate value of \$4.0 million, based on an exchange ratio of approximately .81919 shares of Titan common stock for each share of Datron common stock. The transaction was accounted for as a purchase. The excess of the purchase price of approximately \$48.9 million over the estimated fair market value of the net assets acquired of approximately \$15.9 million was approximately \$33.0 million. In connection with the determination of fair value of assets acquired and pursuant to the provisions of SFAS No. 141, the Company has valued contracts in process at contract price, minus the estimated costs to complete and an allowance for the normal industry profit on its effort to complete such contracts, which amounted to \$1.4 million. This deferred profit has been reflected in the accompanying balance sheet as additional net liabilities assumed by the Company. The Company recognized approximately \$0.8 million in the year ended December 31, 2001, as a reduction of costs, with the remaining \$0.6 million to be recorded as a reduction of costs in future periods as work on certain contracts is performed, which is estimated to continue through fiscal 2002.

In February 2002, had an independent valuation performed by KCI to assist management in its purchase price allocation for the Datron acquisition. This independent valuation supported the Company's allocation of \$27.4 million to goodwill and \$5.6 million to intangible assets. The intangible assets consist of backlog, customer relationships and trademarks and patents of \$1.0 million, \$3.2 million and \$1.4 million, respectively, which will be amortized over the estimated useful lives of 1 to 2 years, 10 years and 5 years, respectively. The consolidated balance sheet reflects this allocation between goodwill and intangible assets. The amortization expense related to the intangible assets will commence in the first quarter of 2002.

On March 23, 2001, the Company's subsidiary, Titan Systems Corporation, consummated an agreement to purchase certain assets from Maxwell Technologies Systems Division, Inc., a subsidiary of Maxwell Technologies, Inc., which specializes in research, development and technical services primarily for military applications. The purchase price was approximately \$11.5 million in cash, subject to post-closing adjustments and indemnification obligations, less a \$1.7 million holdback, due 180 days from the date of closing. The initial \$9.8 million of the purchase price was paid on April 2, 2001. The Company received approximately \$0.6 million in July 2001 from Maxwell Technologies, Inc. resulting from the resolution of post-closing working capital adjustments. Under the agreement, the Company had full recourse to the seller for all accounts receivable not collected within 180 days of the closing date. In October 2001, the Company paid approximately \$1.5 million in full satisfaction of the \$1.7 million holdback, as adjusted for uncollected accounts receivable. The transaction was accounted for as a purchase, and the excess of the purchase price over the estimated fair market value of the net assets acquired, which had been amortized on a straight line basis over 30 years, was approximately \$6.8 million at December 31, 2001, and is reflected as goodwill in the Company's consolidated balance sheet.

Following is unaudited condensed balance sheet information for Datron and BTG at the date of their respective acquisition (amounts in millions):

	Datron		BTG	
Cash	\$	3.7	\$	1.2
Accounts receivable		12.0		63.8
Other current assets		12.5		1.9
Property, plant and equipment		8.3		4.0
Non-current assets		3.0		3.4
Total assets		39.5		74.3
Accounts payable		2.0		11.5
Current liabilities		18.1		75.5
Non-current liabilities		3.5		2.3
Total liabilities		23.6		89.3

Net assets (liabilities)	\$	15.9	\$	(15.0)
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On June 28, 2000, Titan Wireless Africa, a wholly owned subsidiary of Titan Wireless, made an investment in Ivoire Telecom S.A. Holding (Ivoire Telecom), acquiring an 80% interest in Ivoire Telecom and through such interest acquired a majority equity interest in each of the principal subsidiaries owned by Ivoire Telecom. The initial investment consisted of \$5.0 million in cash subject to certain indemnification obligations, and an initial \$5.5 million working capital note, which was funded shortly after the initial investment, which were recorded as Other Assets in the Company's consolidated balance sheet. In addition, Titan committed to provide up to a maximum of \$35.0 million for capital expenditures and other expenditures necessary to build out the Ivoire Telecom network, and Titan has provided equipment with an approximate aggregate value of \$4.5 million. At December 31, 2001, this commitment had been substantially funded for such expenditures. Our aggregate investment in Ivoire Telecom of approximately \$50 million has been reflected in Other Assets in the Company's consolidated balance sheet at December 31, 2001, and has been reported on the cost method as a result of the Company's inability to exercise control and significant influence over Ivoire Telecom or to receive any reliable or timely financial information from Ivoire Telecom. Titan has not consolidated the operations of Ivoire Telecom for a number of reasons, including the Company's inability to obtain accurate and reliable financial information, the Company's inability to exercise any influence on the operations of the company due to strong opposition from the CEO located in Africa, and the Company's inability to obtain representation on the board of directors of each of Ivoire Telecom's 14 principal subsidiaries. Titan engaged a global independent public accounting firm to audit the financial statements of Ivoire Telecom for the year ended December 31, 2001. The independent public accounting firm has been unable to complete its audit procedures due to significant open matters. Further, the independent public accounting firm has reported that there are weaknesses in internal controls and the accounting ability in Ivoire Telecom's various operations, ranging from lack of skilled resources, lack of formalized policies and procedures, limited management information systems, and financial reporting and consolidation risk. Based upon the information available to management, the Company believes Ivoire Telecom continues to incur losses and negative cash flows consistent with its original expectations at the time of investment in this start-up enterprise. To the extent Ivoire Telecom requires additional cash in the future to fund operations, Titan has no obligation nor commitment to fund such cash flow needs. Titan regularly reviews its investment in Ivoire Telecom for impairment and believes that as of December 31, 2001 the fair value of this investment exceeds its costs. Hence, no write-down to realizable value of this investment was necessary at December 31, 2001.

On June 26, 2000, the Company acquired AverStar in a stock-for-stock transaction. AverStar provides services and software focused on the areas of information technology assurance, information technology development and information technology management and operations for the mission-critical systems of civilian and defense agencies of the U.S. government. AverStar's operations are primarily included in the Titan Systems segment. Titan issued approximately 2,850,000 shares of common stock for all the outstanding shares of AverStar common stock, subject to a holdback of 180,045 shares held in escrow to cover certain indemnification obligations, and assumed AverStar stock options representing approximately 551,000 shares of Titan common stock, based on an exchange ratio of approximately .41415 shares of Titan common stock for each share of AverStar common stock. In September 2000, 171,645 shares were released from escrow to AverStar shareholders in fulfillment of the Company's obligations. The remaining 8,400 shares were released from escrow to AverStar shareholders in November 2000. The acquisition constituted a tax-free reorganization and has been accounted for as a pooling of interests.

On June 7, 2000, the Company completed the acquisition of all of the stock of SenCom Corporation (SenCom) for a purchase price of approximately \$35 million in cash, subject to certain post-closing adjustments and indemnification obligations, less a \$5.0 million holdback, and less \$1.3 million for employee related expenses to be paid one year from the closing date. Of the \$5.0 million holdback, \$3 million was paid in September 2000, and the remaining \$2 million holdback was paid in January 2002, plus accrued interest of \$0.2 million. An additional \$2 million was paid in September 2000 as a result of post-closing adjustments. SenCom, included in the Titan Systems segment, provides information technology services to government customers and specializes in the engineering and analysis of radar and electro-optical sensors, command and control system development, computer and network security, and business process engineering and program management. The transaction was accounted for as a purchase. The excess of the purchase price over the estimated fair market value of the net assets acquired,

which has been amortized on a straight line basis over 30 years, was approximately \$31.7 million at December 31, 2001, and is reflected as goodwill in the Company's consolidated balance sheet.

In June 2000, e-tenna Corporation was formed to facilitate the transfer of an antenna technology originally designed for government and military customers to the commercial wireless market. Titan's initial investment of approximately \$0.6 million in e-tenna in 2000 consisted of its contribution of certain intellectual property and patents. As of December 31, 2001, Archery Capital and other investors invested a total of \$9.9 million for common and voting preferred stock, and Titan invested \$5.8 million in non-voting preferred stock and \$0.4 million in common stock. Through February 28, 2002, Titan paid \$1.9 million in satisfaction of its commitment to acquire additional non-voting preferred stock. As of December 31, 2001, Titan's investment of approximately \$6.8 million is included in the accompanying consolidated balance sheet in Other Assets, and is reflected under the cost method. As of February 28, 2002, Titan's investment in e-tenna represented approximately 58.7% of the total equity of e-tenna and approximately 29.1% of the voting power of e-tenna.

On March 30, 2000, the Company completed the acquisition of all of the stock of LinCom Corporation (LinCom) for a purchase price of approximately \$23 million in cash, subject to certain post-closing adjustments and indemnification obligations, less a \$1 million holdback and a \$2 million promissory note. The \$1 million holdback was due approximately 60 days after the closing date, and approximately \$1.0 million was paid in fulfillment of the Company's obligations, and the \$2 million note due one year after the closing date with accrued interest at 7% was paid in March 2001. LinCom is a developer of wireless communications and information systems for both commercial and government customers. The operations of LinCom are primarily reported in the Titan Systems segment. The commercial applications within LinCom are reported in the Titan Technologies segment. The transaction was accounted for as a purchase. The excess of the purchase price over the estimated fair market value of the net assets acquired, which has been amortized on a straight line basis over 30 years, was approximately \$20.2 million at December 31, 2001, and is reflected as goodwill in the Company's consolidated balance sheet.

On March 24, 2000, the Company completed the acquisition of all the outstanding stock of Pulse Engineering (Pulse) for a purchase price of approximately \$27.4 million in cash, subject to certain post-closing adjustments and indemnification obligations, less a \$1 million holdback placed in escrow and a \$2 million deferred payment due in March 2001. The holdback was paid to Pulse shareholders in October 2000 in fulfillment of the Company's obligations, and the \$2 million deferred payment, plus interest of 8%, was paid by March 31, 2001. Pulse provides specialized information security and signal intelligence systems and services to the intelligence community and is included in the Titan Systems segment. The transaction was accounted for as a purchase. The excess of the purchase price over the estimated fair market value of the net assets acquired, which has been amortized on a straight line basis over 30 years, was approximately \$23.2 million at December 31, 2001, and is reflected as goodwill in the Company's consolidated balance sheet.

On February 25, 2000, the Company acquired Advanced Communication Systems, Inc. (ACS), a government information technology services company, in a stock-for-stock transaction. ACS' operations are included in the Titan Systems segment. Titan issued approximately 5,082,000 shares of common stock for all the outstanding shares of ACS common stock and assumed ACS stock options representing approximately 263,000 shares of Titan common stock, based on an exchange ratio of approximately .57 shares of Titan common stock for each share of ACS common stock. The acquisition constituted a tax-free reorganization and has been accounted for as a pooling of interests.

Effective January 1, 2000, ACS' September 30 fiscal year-end was changed to coincide with the Company's year-end. The 1999 financial statements presented were restated to include the combined results of operations, financial position and cash flows as if the merger had occurred at the beginning of the periods presented. A pooling of interests adjustment has been made in the consolidated statement of cash flows and consolidated statement of stockholders' equity for the year ended December 31, 2000, to reflect the activity for ACS in the quarter ended December 31, 1999, as reported in ACS' Form 10-Q for the fiscal quarter ended December 31, 1999. For the quarter ended December 31, 1999, ACS' revenues were \$46.3 million and net income was \$1.4 million.

The separate and combined results of Titan, ACS and AverStar in 2000 and 1999 are as follows:

Year Ended December 31, 2000

	Revenues		Income (Loss) from Continuing Operations		Net Income (Loss)	
Titan	\$	585,250	\$	7,878	\$	(1,499)
ACS		192,841		(21,230)		(17,249)
AverStar		163,122		3,151		20
	\$	941,213	\$	(10,201)	\$	(18,728)

Year Ended December 31, 1999

	Revenues		Income from Continuing Operations		Net Income	
Titan	\$	387,835	\$	35,859	\$	32,472
ACS		218,252		3,581		3,581
AverStar		162,561		1,704		1,704
	\$	768,648	\$	41,144	\$	37,757

In 1999, the Company or its subsidiaries acquired Atlantic Aerospace Corporation (“AAEC”), Systems Resources Corporation (“SRC”) Program Support Associates Inc. (“PSA”), and SFG Technologies Inc. (“SFG”), all reporting in the Company’s Titan Systems segment, with the exception of SFG which is reported in the Titan Technologies segment. Related to the acquisition of SRC, a \$2 million promissory note, subject to post-closing working capital adjustments and indemnification obligations, was due on June 9, 2000. The post-closing working capital adjustments and indemnification obligations are currently in dispute with the stockholders of SRC. Accordingly, the promissory note has not been paid. Related to the AAEC acquisition, up to an additional \$3 million in contingent consideration was payable based upon the award of future contracts. During 2001, approximately \$1.2 million of contingent consideration was paid upon the award of certain contracts. An additional potential \$2.2 million including interest, may be paid in 2002 based upon potential contract awards in 2002.

For all acquisitions accounted for as purchases, the acquired company’s results of operations are consolidated with the Company’s results of operations immediately subsequent to the acquisition date. Unaudited pro forma data giving effect to the purchase of BTG, Datron, Pulse, LinCom and SenCom as if they had been acquired at the beginning of 2000 are shown below.

	Twelve months ended December 31,	
	2001	2000
	(unaudited)	
Revenues	\$ 1,350,750	\$ 1,263,604
Income (loss) from continuing operations before extraordinary loss	(22,794)	(2,423)

Net income (loss)		(119,888)	(15,694)
Basic earnings (loss) per share:			
Income (loss) from continuing operations before extraordinary loss	\$	(0.46)	\$ (0.10)
Net income (loss)		(2.13)	(0.37)
Diluted earnings (loss) per share:			
Income (loss) from continuing operations before extraordinary loss	\$	(0.46)	\$ (0.10)
Net income (loss)		(2.13)	(0.38)

Included in BTG's operating results for the eleven months ended November 30, 2001 is a charge of approximately \$20.8 million consisting of employee termination costs of approximately \$9.0 million, lease termination costs and excess facilities costs of approximately \$2.7 million, impairments for certain assets of \$4.4 million, primarily comprised of costs of BTG's abandoned accounting system, impairments for investments of approximately \$1.1 million, an accrual for loss contracts of \$1.2 million, acquisition costs of \$0.6 million and other costs of \$1.8 million. Revenues in 2001 for Datron were impacted unfavorably by the events that occurred on September 11, 2001, which negatively impacted demand for Datron's antenna products for airborne applications, as well as by reduced demand for certain of their products, resulting in reduced revenues of approximately \$12 million.

The revenues of ACS were impacted in 2000 by a contract termination that occurred in late 1999, prior to Titan's acquisition, which resulted in reduced revenues of approximately \$31.6 million. AverStar's revenues in 2000 were impacted by the wind-down of its Year 2000 business in early 2000, which resulted in reduced revenues of approximately \$25.7 million.

Included in the 2000 results from continuing operations are merger related expenses of \$20.5 million, a \$10 million valuation allowance for certain unbilled receivables, and \$8.3 million related to the acquisitions of ACS and AverStar, respectively. In addition, net income (loss) reflects an extraordinary loss, net of taxes, of \$3.4 million and \$1.3 million related to the early debt extinguishment of Titan and AverStar's credit facilities, respectively. AverStar's net loss reflects a loss from discontinued operations of \$1.5 million. Included in ACS' 1999 operating results is a write-off of \$3.9 million of capitalized software costs and a \$1.8 million write-off of an uncollected receivable. Interest expense for Titan combined with ACS and AverStar is reflected in the Titan operating results from the date of acquisition.

In January 1999, the Company invested approximately \$0.5 million for a 19.9% ownership interest in a joint venture with Sakon. In July 2000, Titan loaned Sakon \$15 million pursuant to a loan agreement. In October 2000, Titan exercised its option pursuant to the loan agreement to convert amounts owed under the loan into additional equity interest of 30.0% of Sakon, bringing the total equity interest in Sakon to 49.9%. At such time, the amount outstanding of \$15 million under the loan was converted to purchase consideration as the initial payment due under the terms of the agreement and recorded as goodwill. Under the terms of the agreement, an additional \$12.5 million of consideration was due and payable upon certain revenue targets being attained. These targets were met in January 2001, and a \$5.0 million installment was made in the second quarter of 2001, a \$3.75 million installment was made in the first quarter of 2002, and the remainder is expected to be satisfied by issuance of Titan common stock. The excess of the purchase price over the estimated fair market value of the net assets acquired, which has been amortized over 20 years, was approximately \$26.8 million at December 31, 2001. Titan consolidates the operating results of Sakon in accordance with the joint venture agreement which assigns 100% of the joint venture revenues and operating results to Titan. Titan will continue to consolidate the operating results of Sakon until a liquidity event, defined as an initial public offering or the sale of Sakon.

In connection with the determination of the fair value of assets acquired in connection with acquisitions in 2000 and 1999, and pursuant to the provisions of SFAS No. 141, the Company has valued acquired contracts in process at contract price, minus the estimated costs to complete and an allowance for the normal industry profit on its effort to complete such contracts, which amounted to \$10.9 million. This adjustment has been reflected in the accompanying balance sheet as an increase to goodwill and a corresponding increase to deferred profit. The Company recognized

approximately \$1.4 million, \$6.9 million and \$2.6 million as a reduction of costs in 2001, 2000 and 1999, respectively.

Item 14. Exhibit Index

Exhibit No.	Description	Page No.
99.1	Certification.	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE TITAN CORPORATION

August 02, 2002

By: /s/ GENE W. RAY

Gene W. Ray,
*Chief Executive Officer and
Chairman of the Board*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u> /s/ GENE W. RAY </u> Gene W. Ray	Chief Executive Officer and Chairman of the Board	August 02, 2002
<u> /s/ ERIC M. DEMARCO </u> Eric M. DeMarco	President and Chief Operating Officer	August 02, 2002
<u> /s/ MARK W. SOPP </u> Mark W. Sopp	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	August 02, 2002
<u> /s/ DEANNA J. HOM </u> Deanna J. Hom	Vice President, Corporate Controller (Principal Accounting Officer)	August 02, 2002
<u> /s/ MICHAEL B. ALEXANDER </u> Michael B. Alexander	Director	August 02, 2002
<u> /s/ EDWARD H. BERSOFF, Ph.D. </u> Edward H. Bersoff, Ph.D.	Director	August 02, 2002
<u> /s/ JOSEPH F. CALIGIURI </u> Joseph F. Caligiuri	Director	August 02, 2002

<u>/s/ PETER A. COHEN</u>	Director	August 02, 2002
Peter A. Cohen		
<u>/s/ DANIEL J. FINK</u>	Director	August 02, 2002
Daniel J. Fink		
<u>Susan Golding</u>	Director	
<u>/s/ ROBERT M. HANISEE</u>	Director	August 02, 2002
Robert M. Hanisee		
<u>/s/ ROBERT E. LA BLANC</u>	Director	August 02, 2002
Robert E. La Blanc		
<u>/s/ JAMES ROTH</u>	Director	August 02, 2002
James Roth		
<u>/s/ JOSEPH R. WRIGHT, JR.</u>	Director	August 02, 2002
Joseph R. Wright, Jr.		